

Message Text

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ACTION TRSE-00

INFO OCT-01 EUR-12 ISO-00 SS-15 L-03 EB-07 NSC-05 H-01
COME-00 OMB-01 SP-02 SEC-01 CIAE-00 INR-07 NSAE-00
FRB-03 SSO-00 INRE-00 NSCE-00 /058 W
----- 123889 /47

O 141447Z DEC 76
FM AMEMBASSY BUDAPEST
TO SECSTATE WASHDC IMMEDIATE 7530

C O N F I D E N T I A L BUDAPEST 4172
E.O. 11652: GDS
TAGS: EFIN, HU
SUBJECT: WORLD WAR I FLOUR DEBT

REF: STATE 302703

1. EMBASSY MOST APPRECIATIVE FOR PROMPT RESPONSE AND
DETAILED INFORMATION CONTAINED REFTEL.

2. HUNGARIAN MINISTRY OF FINANCE OFFICIAL AKAR HAS NOT
YET OBTAINED HIGH-LEVEL GOH APPROVAL REQUIRED TO FINALIZE
WORLD WAR I DEBT ISSUE BUT HOPES TO DO SO BY DECEMBER 15.
PROCEEDING ON THAT ASSUMPTION EMBASSY WILL PROVIDE AKAR
WITH INFORMAL DRAFT OF USG NOTE AND GOH RESPONSE AFTER-
NOON OF DECEMBER 14 SO THAT MATTER MAY BE BROUGHT TO
SPEEDY CONCLUSION IF AKAR OBTAINS THE APPROVAL HE IS
SEEKING.

3. ONLY DEFINITE PROBLEM FORESEEN AS OF MORNING OF
DECEMBER 14 IS REFUSAL BY GOH TO INFORM OWNERS OF
BLOCKED FORINT ACCOUNTS THAT THESE ACCOUNTS HAVE BEEN
REINSTATED (PARA 6 REFTEL). ACCORDING TO GOH, IN ITS
VIEW THE BLOCKING OF THESE ACCOUNTS RESULTED FROM MIS-
UNDERSTANDING BETWEEN GOH AND USG OVER INTERPRETATION OF
CLAIMS AGREEMENT OF 1973. NOW THAT THIS MISUNDERSTANDING
HAS BEEN CLEARED UP, GOH DOES NOT FEEL IT IS IN A
POSITION TO NOTIFY ALL OWNERS OF THE REINSTATEMENT,
ESPECIALLY SINCE GOH NEVER NOTIFIED ALL OWNERS THAT
ACCOUNTS HAD BEEN FROZEN.

4. EMBASSY FEELS THAT THIS IS REASONABLE POSITION BY
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GOH AND WOULD HOPE THAT DEPARTMENT WOULD NOT INSIST ON

SUCH A PROCEDURE BY THE HUNGARIANS. AKAR ALSO FELT THAT REINSTATING THE ACCOUNTS AS OF DECEMBER 15 TIED THE ISSUE TOO CLOSELY TO WORLD WAR I DEBT AND THUS GIVES IMPRESSION THAT USG, AS DEMANDEUR, HAS WON YET ANOTHER CONCESSION FROM HUNGARY.

5. WHILE THIS IS INDEED THE CASE, IT WOULD BE USEFUL FOR EMBASSY'S FUTURE RELATIONS IF USG COULD ACCEPT REINSTATEMENT OF ACCOUNTS AS OF SOME OTHER DATE IN DECEMBER, 1976. HOWEVER, IN BRIEF CONVERSATION ON SUBJECT WITH AKAR ECONOFF INSISTED THAT REINSTATEMENT SHOULD BE EFFECTIVE DECEMBER 15. THUS, THE POINT HAS BEEN WON, BUT IF IT IS POSSIBLE TO ALLOW SOME FLEXIBILITY SUCH A GESTURE MIGHT IMPROVE WORKING RELATIONSHIP WITH HUNGARIAN OFFICIALS.

6. AKAR ALSO WAS CURIOUS AS TO EXACT METHOD TREASURY DEPARTMENT WOULD USE TO ISSUE ITS PUBLIC NOTIFICATION. ECONOFF ASSURED AKAR THAT NOTIFICATION WOULD BE SUITABLE TO HUNGARIANS AND THAT ALL U.S. BANKERS WOULD BE AWARE OF THE NOTIFICATION. IT WOULD BE USEFUL, HOWEVER, TO BE MORE SPECIFIC AND INFORM AKAR OF EXACT FORM WHICH SUCH NOTIFICATION WILL TAKE. EMBASSY HAS SO FAR NOT INDICATED TO GOH THAT USG HAS ANY FLEXIBILITY ON DEC 20 PAYMENT DATE OR INTEREST RATE FROM YEARS 1943-1976 ON ANNUNITIES ISSUED PURSUANT TO 1932 AGREEMENT. AKAR AS A RESULT HAS SHARPENED TONE OF HIS COMPLAINTS ABOUT LACK OF USG FLEXIBILITY, BUT EMBASSY BELIEVES THAT GOH WILL TRY TO PAY PRIOR TO DECEMBER 20 AND WILL NOT RAISE ISSUE OF INTEREST RATE ON ANNUNITIES ISSUED UNDER HOOVER MORATORIUM.

7. ACTION REQUESTED: PLEASE INFORM EMBASSY IMMEDIATELY WHETHER:

A. USG MUST INSIST THAT GOH INFORM OWNERS OF BLOCKED ACCOUNTS OF REINSTATEMENT.

B. GIVEN INSTRUCTIONS AND GUIDANCE DEPARTMENT PROVIDED REFTEL, DEPARTMENT WISHES TO CLEAR FINAL NOTE SHOULD CONFIDENTIAL

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ALL FALL IN PLACE DECEMBER 15.
MUDD

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Message Attributes

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